

**REPORT OF THE AUDIT OF THE  
TAYLOR COUNTY  
CLERK**

**For The Year Ended  
December 31, 2006**



**CRIT LUALLEN  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE TAYLOR COUNTY CLERK**

**For The Year Ended  
December 31, 2006**

The Auditor of Public Accounts has completed the Taylor County Clerk's audit for the year ended December 31, 2006. Based upon the audit work performed, the financial statement presents fairly in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

#### **Financial Condition:**

Excess fees decreased by \$19,811 from the prior year, resulting in excess fees of \$104,704 as of December 31, 2006. Revenues decreased by \$147,993 from the prior year and expenditures decreased by \$128,182.

#### **Report Comment:**

The County Clerk's Office Lacks Adequate Segregation Of Duties

#### **Deposits:**

The County Clerk's deposits were insured and collateralized by bank securities.



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CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Eddie Rogers, Taylor County Judge/Executive  
The Honorable Mark Carney, Taylor County Clerk  
Members of the Taylor County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the County Clerk of Taylor County, Kentucky, for the year ended December 31, 2006. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the County Clerk for the year ended December 31, 2006, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated November 26, 2007 on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The County Clerk's Office Lacks Adequate Segregation Of Duties



The Honorable Eddie Rogers, Taylor County Judge/Executive  
The Honorable Mark Carney, Taylor County Clerk  
Members of the Taylor County Fiscal Court

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Taylor County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

November 26, 2007



TAYLOR COUNTY  
MARK CARNEY, COUNTY CLERK  
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2006

Revenues

State Grants		\$	3,605
State Fees For Services			8,157
Fiscal Court			3,560
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers	\$	587,020	
Usage Tax		2,062,654	
Tangible Personal Property Tax		1,640,108	
Other-			
Marriage Licenses		7,901	
Affordable Housing Trust Fund		11,352	
Deed Transfer Tax		68,522	
Delinquent Tax		44,442	4,421,999
Fees Collected for Services:			
Recordings-			
Deeds, Easements, and Contracts		16,220	
Real Estate Mortgages		43,568	
Chattel Mortgages and Financing Statements		66,081	
Powers of Attorney		2,348	
All Other Recordings		27,511	
Charges for Other Services-			
Candidate Filing Fees		1,930	
Copywork		6,252	163,910
Other:			
Preparing & Printing Tax Bills			3,931
Interest Earned			5,050
Total Revenues			4,610,212

The accompanying notes are an integral part of this financial statement.

TAYLOR COUNTY  
 MARK CARNEY, COUNTY CLERK  
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2006  
 (Continued)

Expenditures

Payments to State:

Motor Vehicle-

Licenses and Transfers \$ 431,737

Usage Tax 1,997,833

Tangible Personal Property Tax 576,538

Licenses, Taxes, and Fees-

Delinquent Tax 6,824

Legal Process Tax 20,428

Affordable Housing Trust 11,352 \$ 3,044,712

Payments to Fiscal Court:

Tangible Personal Property Tax 104,966

Delinquent Tax 4,935

Deed Transfer Tax 65,054 174,955

Payments to Other Districts:

Tangible Personal Property Tax 893,004

Delinquent Tax 22,200 915,204

Payments to Sheriff

549

Payments to County Attorney

5,852

Operating Expenditures:

Personnel Services-

Deputies' Salaries 192,036

Part-Time Salaries 3,490

Employee Benefits-

Employer's Paid Health Insurance 55,911

Contracted Services-

Computer Services 1,800

Accounting Services 2,925

Grant Expenditures 3,605

Printing and Binding 4,882

Materials and Supplies-

Office Supplies 11,088

Other Charges-

Conventions and Travel 1,129

Credit/Debit Equipment and Fees 2,550

Dues 600

Miscellaneous Refunds 63

Accounting Services 2,961 283,040

Total Expenditures

\$ 4,424,312

The accompanying notes are an integral part of this financial statement.

TAYLOR COUNTY  
MARK CARNEY, COUNTY CLERK  
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS  
For The Year Ended December 31, 2006  
(Continued)

Net Revenues		\$	185,900
Less: Statutory Maximum			<u>74,294</u>
Excess Fees			111,606
Less: Expense Allowance	\$	3,600	
Training Incentive Benefit		<u>3,302</u>	<u>6,902</u>
Excess Fees Due County for 2006			104,704
Payments to Fiscal Court - February 13, 2007			<u>100,000</u>
Balance Due Fiscal Court at Completion of Audit		\$	<u><u>4,704</u></u> *

\*Note - The County Clerk presented a check to the County Treasurer for the balance due Fiscal Court on November 26, 2007.

The accompanying notes are an integral part of this financial statement.

TAYLOR COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2006

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Clerk as determined by the audit. KRS 64.152 requires the County Clerk to settle excess fees with the fiscal court by March 15 each year.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2006 services
- Reimbursements for 2006 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2006

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

TAYLOR COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2006  
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 10.98 percent for the first six months and 13.19 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County Clerk's deposits may not be returned. The County Clerk does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2006, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Grant

The County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$5,180. Interest earned during the calendar year 2006 was \$4. Funds totaling \$3,605 were expended during the year. The unexpended grant balance was \$1,579 as of December 31, 2006.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS







CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Eddie Rogers, Taylor County Judge/Executive  
The Honorable Mark Carney, Taylor County Clerk  
Members of the Taylor County Fiscal Court

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Taylor County Clerk for the year ended December 31, 2006, and have issued our report thereon dated November 26, 2007. The County Clerk's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Taylor County Clerk's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Taylor County Clerk's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Taylor County Clerk's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiency described in the accompanying comment and recommendation to be a significant deficiency in internal control over financial reporting.

- The County Clerk's Office Lacks Adequate Segregation Of Duties



Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above to be a material weakness.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Taylor County Clerk's financial statement for the year ended December 31, 2006, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

The Taylor County Clerk's response to the finding identified in our audit is included in the accompanying comment and recommendation. We did not audit the County Clerk's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Taylor County Fiscal Court, and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen  
Auditor of Public Accounts

November 26, 2007

COMMENT AND RECOMMENDATION



TAYLOR COUNTY  
MARK CARNEY, COUNTY CLERK  
COMMENT AND RECOMMENDATION

For The Year Ended December 31, 2006

INTERNAL CONTROL - MATERIAL WEAKNESS:

The County Clerk's Office Lacks Adequate Segregation Of Duties

During our review of internal controls, we noted that the County Clerk's office lacks adequate segregation of duties over receipts and disbursements. The deputy who prepares the daily check out sheet also collects money, prepares the daily deposit, and posts to ledgers. The County Clerk also performs these duties. Another deputy and the County Clerk jointly prepare the quarterly financial reports. The County Clerk prepares, signs, and posts all disbursement checks. Compensating controls would not be effective over duties performed by the County Clerk. The County Clerk should delegate these duties to other employees and implement the compensating controls noted below to offset this internal control weakness.

- The County Clerk should document surprise cash counts when performed.
- The County Clerk should recount the daily bank deposit prepared by another employee and compare the deposit to the daily checkout sheet. Any differences should be reconciled. He could document this by initialing the bank deposit and daily checkout sheet.
- Two people, with one being the County Clerk, should sign all checks.
- The County Clerk should examine checks prepared by another employee and compare to invoices or monthly reports to taxing districts to payments. He could document this by initialing the invoices and the monthly reports.
- The County Clerk should review the bank reconciliation prepared by another employee and compare the balance to the balance in the checkbook. Any differences should be reconciled. The County Clerk could document this by initialing the bank reconciliation and the balance in the checkbook.

*County Clerk's Response: Clerk will look at more ways to involve other deputies in the accounting and checkouts and verification of deposits.*

